Registered Charities Newsletter

No. 13 ***Summer 2002***

Contents

From The Director General ... 1
We're Listening and We're Responding ... 1
Coming This Fall and in 2003 ... 2
Electronic Registered Charity Information Return (T3010) ... 2
Enhanced Internet Display Project ... 3
About Our New Vision and Future Directions ... 3
The Joint Regulatory Table (JRT) ... 4
Revised Business Guidelines ... 4
Meeting JRT Commitments ... 4
Charity Law and Policy ... 4
Charities Operating Abroad – Lessons From the Court ... 4
The Case ... 4
The Charity's Defence ... 5
The Court's Decision: Key Principles ... 5
Key Lessons ... 6
About Auditing Charities ... 6
The Law and the Audit Program ... 6
What Triggers an Audit? ... 6
What You Can Expect From Us ... 6
What We Expect From You ... 7
Audit Results ... 7
Confirmation of Compliance Letters ... 7
Education Letters ... 7
Undertaking Letters ... 7
Administrative Fairness Letter (AFL) ... 7
Revocation ... 7
Extended Telephone Service Hours ... 7

From The Director General

We're Listening and We're Responding

As many of you may be aware, over the past two years in particular, the Charities Directorate has been making a special effort to listen to what clients have to say about our services. After reading this Newsletter, I hope you will agree that we are also making a serious effort to respond.

One of the messages we heard was to process applications more quickly, and make decisions faster. We also heard loud and clear your concern that Form T3010, *Registered Charity Information Return*, was too long and too complicated, especially for small charities with little access to professional help.

We also took note of other issues you raised. For instance, you wanted us to provide ongoing opportunities for the voluntary sector to have input into our policy making process. Just as important, you wanted us to share more of our knowledge and information – what qualifies as charitable at law, what our administrative policies are, and what information we have about organizations that are registered or revoked. Many of our clients also asked us to extend our telephone service hours so that all Canadians can reach the Directorate during their normal business day.

As you read in Newsletter No. 12, and as you'll read in this Newsletter, we are indeed responding to your needs. For example, changes we have made to our decision making process and staffing have helped reduce from 4 months to 4 weeks the time it takes to make decisions on most of the straightforward, complete applications. Similarly, we are now able to make decisions on complete but complex applications in 4 months. In fact, because of these changes, we were able to reduce our inventory of applications by 50% between November 2001 and April 2002. I hope you will agree that these are significant improvements, and a move in the right direction.

I am also pleased to report that our work with charitable sector representatives, through the Joint Regulatory Table (JRT), has resulted in a greatly improved T3010 form to be introduced next year. The new form will be much shorter and easier to complete and send. As part of the improvements, the Directorate itself will be calculating each organization's Disbursement Quota (DQ), based on the return we receive. By all accounts, these changes will bring significant relief to many organizations, large and small.

We are also addressing the request to share more knowledge and information. By the end of this year, clients and the general public will be able to view online some of the non-confidential information provided by charities. This is information we already make available to the public in paper form upon request. The public will

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Canada

also be able to access separate listings of all registered charities, newly registered charities, and recently revoked charities. We hope the greater public access to the non-confidential charities information will help boost public confidence in the charitable sector.

Our effort to achieve greater openness is ongoing. One of our projects is pulling together all our policies and revising them to make them easier to understand. When completed, the policies will be published on our Web site so that they will be readily available for guidance.

We are also working on a project to establish an advisory committee involving representatives of the voluntary sector and other government departments. When established, this committee will provide input and advice on particular policies as they are being developed. It might also suggest new areas within the authority of the Charities Directorate where a policy may need to be developed. This will help ensure that we remain sensitive to developments taking place in the voluntary sector.

In the meantime, the Directorate has been working jointly with charitable sector representatives to develop guidelines on the type and degree of business activity registered charities can legally engage in. These guidelines have now been posted on our Web site at **www.ccra.gc.ca/tax/charities/consultation_policy-e.html**, and I urge you to read them and give us your feedback.

Concerning our telephone service hours, I am happy to report that now all Canadians, including our clients in the Central, Mountain, and Pacific time zones, can reach us during normal business hours.

We plan to continue listening to your ideas and responding to your suggestions as we work to build on these successes over the next few years.

Maureen Kidd
Director General
Charities Directorate

Coming This Fall and in 2003: A Simplified T3010 and More Public Access to Charities Information

As we mentioned in Newsletter No. 12, the Charities Directorate has been working in partnership with the voluntary sector to improve service to clients. We are pleased to announce that, starting this fall, our clients, including the general public, will benefit from changes affecting the *Registered Charity Information Return* and access to information about charities.

Revised *Registered Charity Information Return* (T3010)

As noted in Newsletter No. 12, the Joint Regulatory Table (JRT) is part of the Voluntary Sector Initiative, and involves representatives of both the voluntary sector and federal government departments. The JRT has been working with the Canada Customs and Revenue Agency (CCRA) on simplifying the T3010. This has resulted in a major redesign of the T3010 return, reducing it from 13 pages to 4. Each registered charity whose fiscal period ends on or after January 1, 2003, will be mailed the new paper package to use. ***The new T3010 can only be used to file returns for fiscal periods that end on or after January 1, 2003***. Please note that for fiscal periods ending on or before December 31, 2002, charities will still need to use the current T3010 to file their return.

A major innovation of this project is that charities will no longer be asked each year to fill in the basic information we have on record, such as the charity's name, address, program areas, etc. Instead, the new return will include a pre-filled Basic Information sheet that contains the basic data we have on file for that charity. The charity will be asked to check the pre-printed information for accuracy, update any information that has changed, and return the sheet with the completed T3010 form.

It is important to emphasize that this filled Basic Information sheet will be an integral component of each charity's return. A charity's return will not be accepted as complete until this sheet has been verified and sent back to us. You should also note that charities will be asked to contact us directly if they require a replacement information sheet, as only the Charities Directorate can issue it.

We also recognized that calculating a charity's disbursement quota (DQ) is a task that many charities find quite difficult. As a result, when the new form becomes available in 2003, registered charities will no longer be required to calculate their own DQ. Instead, through a new automated system, the Charities Directorate itself will calculate each charity's DQ, based on the information in the charity's return. The automated system will also verify the calculation of the totals reported for assets, liabilities, income, and expenses. The reported and recalculated amounts will be included in a *Notice of Confirmation*, which the Directorate will send each charity after processing its completed return. The charity will be asked to review the DQ calculation and any recalculated totals and get back to us if they do not agree with our figures. The *Notice of Confirmation* will also acknowledge that the Directorate has received and processed the charity's return.

If a charity wishes to correct an error in its T3010 return, or wishes to make changes relating to its *Notice of Confirmation* or *Basic Information sheet*, it may use a new one-page form we have created. The *Registered Charity Adjustment Request* form makes it easy for the organization to correct the information or amount in question. However, some of the data in the *Basic Information* sheet can be amended on the sheet itself. The charity can simply make those changes and return the sheet to us.

To help charities begin planning changes to their accounting systems in preparation for the revised T3010, we have included a copy of Section E of the form. That section contains the main areas of financial data that a charity's accounting systems would need to be able to capture. You will find it inserted in the middle pages of this newsletter. There is another page that asks for financial information that is not included in the insert. That page mainly deals with information that would normally be easily found in a charity's regular books and records, such as the amounts required to calculate whether the charity has met its disbursement quota.

Please note that the insert is provided for information purposes only – it should not be used to fill out your return. If you have any questions regarding the insert, please contact us at **charitynewt3010@ccra-adrc.gc.ca**

Enhanced Internet Display Project

The *Income Tax Act* protects certain information supplied by charities from being released without their approval. However, other portions of the current T3010 contain information that is of interest to various audiences, including information on the charity's programs and program expenditures, the names and positions of its directors, and gifts made to other qualified donees. This information is made available to the public under the *Income Tax Act*. Disclosing this information allows donors to make more informed decisions about which charities they might want to support. It also enables members of the public to see for themselves the contributions charities make to Canadian society. At present, this information is made available to the public on request, and in paper form only. The Government of Canada is committed to making its basic services available to the public online by December 2005. As part of that commitment, we have been working to improve our Web site, and to display online the non-confidential charities information.

The project to display the non-confidential charity information on the Directorate's Web site has been divided into two phases. In Phase I, some of the public information from the T3010 returns for the year 2000 will be displayed. This information will be online by the end of this year.

Please note that the non-confidential information to be displayed will not be scanned onto the Web site. Instead, it will be re-typed from the material we receive. Therefore, the information displayed might not be an exact duplicate of the information we received. However, every effort will be made to ensure that what is displayed is consistent with the information the charity provided. To help ensure that the information we display is accurate, we ask that charities advise their directors, other volunteers, and staff to make an extra effort to verify the data they provide in their T3010.

Also, to make sure the data we collect and put on our Web site remains accurate, our procedures for making changes to a charity's information will remain the same. Under our existing procedures, we require that requests for changes to a charity's information be made in writing, and that two authorized individuals sign them. The new *Registered Charity Adjustment Request* form will make it easier for the authorized individuals to ask for such changes. For further information on the procedures, please contact our Client Assistance unit at 1-800-267-2384 (English) or 1-888-892-5667 (French and English).

Also, for Phase I of this project, we have reorganized the list of charities. By the end of this year, it will be possible to view a separate list of newly registered charities as well as a list of recently revoked charities. These new lists, which will be easily accessible from our Web site, relate to charities that have either been registered or revoked in the past 12 months. However, it is important to note that a charity that has been re-registered after being revoked will be returned to the standing list of registered charities.

The standing list of registered charities will remain our main source of data on charities. As is currently the case, visitors to our Web site will be able to search this list for the charity they are interested in. The instructions for finding information on our Web site also have been made clearer.

In Phase II of our Enhanced Internet Display Project, we plan to update the T3010 information available on the Web site, adding the non-confidential information from the returns for 2001 and later years. We will also continue improving the search capabilities of our Web site.

If you need further information about this project, or should you have any questions after Phase I is completed, please contact our Client Assistance unit at 1-800-267-2384 (English) or 1-888-892-5667 (French and English).

About Our New Vision and Future Directions

Future Directions, the initiative dedicated to ensuring that all areas of the CCRA are well positioned to respond to the future needs of clients, is moving forward within the Charities Directorate.

Last fall the Charities Directorate, through Future Directions, conducted research into the Directorate's administrative processes and services. The research involved focus groups and discussions with representatives of charities, professionals serving charities (such as lawyers and accountants), and umbrella groups, as well as telephone surveys of rural charities and the general public. The results of these consultations were posted on the Future Directions Web page and are available on paper by contacting the Charities Directorate.

The feedback we received during the consultations has been used to develop an action plan for concrete administrative changes. Some of these changes have already been noted above: the simplified T3010, the improved search engine on the Directorate's Web site, and the posting of non-confidential charities information on the Internet. Another important aspect of the plan of action is a project to develop a Policy Advisory Committee, with members from the voluntary sector and the Directorate. The plan of action also involves a project to pull together the various policies the Directorate uses to administer the Act, and to make them readily available to the public on the Internet. The proposed changes should result in noticeable improvements in our services to clients.

In May and June of this year, through the Directorate's Web site, mail and email, we asked for comments on the reports from the first round of consultations and the proposed action plan. Over 200 representatives of charities participated in discussion groups in Halifax, Montreal, Ottawa, Toronto, Calgary, and Vancouver. We would like to thank everyone who took the time to read the documents and give us their opinion.

Although the vision and action plan may not meet everyone's expectations, the feedback we received suggests that our clients and our staff generally agree with the direction we are taking to serve Canadians better.

We are now entering the implementation phase. The necessary administrative changes have been identified and are being put into place. However, staff and financial resources are not unlimited. This means that while some of the enhancements will be introduced quickly, others may take a few years. Through the Newsletter and our Web site, we will keep you informed of administrative enhancements as they are introduced.

If you wish to contact us for more information, visit the Future Directions Web page at **www.ccra.gc.ca/futuredirections** or contact us by email at **fdc-olob@ccra-adrc.gc.ca**. If you do not have access to email or the Internet, you can contact us through the Directorate's Client Assistance numbers: 1-800-267-2384 (English) or 1-888-892-5667 (French and English).

The Joint Regulatory Table (JRT)

As noted in pages 2 and 3, the work of the JRT has already resulted in a number of practical improvements to the T3010 *Registered Charity Information Return*. We also draw your attention to the following developments concerning the work of the JRT.

Related Business Guidelines

The CCRA has issued draft guidelines on the type and degree of business activity registered charities can legally engage in. We are currently inviting comment. The draft guidelines and information on how to provide comments can be found at **www.ccra.gc.ca/tax/charities/consultation_policy-e.html**. We hope you will take a look and share your feedback with us.

Mark Your Calendars – JRT Consultations Coming to a Town Near You!

The JRT will embark on cross-Canada consultations from September 3, 2002 to October 31, 2002. We hope you will participate.

Discussion documents on all subject areas **and** information on how to provide comments and participate in the consultations are available at **www.vsi-isbc.ca**.

CHARITY LAW AND POLICY

Charities Operating Abroad: Lessons From the Court

A charity that was registered to promote education and provide relief of poverty and sickness in a foreign country recently had its registration revoked. This action followed three audits of the organization's records, an appeal, and a court decision that found that the CCRA had good reason, and had used a reasonable and valid method, to revoke the organization's charitable status. The facts of the case provide guidance as to what types of practices are unacceptable when a charity delivers its programs through an agent. The Court upheld a number of principles that are noteworthy.

The Case

The facts of the case, as shown in the court record, are as follows:

- The charity was registered in 1985, and was designated as a charitable organization.
- A charitable organization must devote its resources to carry on **its own charitable activities**. It is considered to be carrying on its own activities when it engages an agent to deliver its programs on its behalf. However, the organization must still exercise sufficient direction and control over the delivery of its programs by the agent.
- When the charity's records for 1990 were audited, it was found that the charity had acted contrary to the requirements of the Act. This included "the lack of documents to support its overseas expenditures, irregularities surrounding preparation of a proper T4 for its President, and improper payroll deductions for its employees." The CCRA wrote the charity to advise

it of the findings of the audit, and outlined steps the charity should take to correct the problems.

- When the charity's records for 1993 were audited (the 1993 Audit), it was found that there were eleven instances where the organization had again infringed the Act. Some types of infraction that had been noted in the 1990 audit were repeated, and there were some new ones. The CCRA wrote the charity about these problems, and gave the charity 30 days to provide reasons why the CCRA should not revoke its registration.
- In its written response, the charity explained that due to a complete management change, its overseas agent had not been aware of the reporting requirements. The charity then signed an undertaking that, henceforth, both it and its overseas agent would adhere strictly to all the requirements of the Act and the terms of their agency agreement. The CCRA accepted this assurance and did not revoke the charity's status.
- The charity's books for 1997 were audited in 1999 and the CCRA found that the charity had failed to correct the deficiencies noted in the 1993 audit, and had not lived up to its 1996 undertaking.
- Examples of the specific infractions uncovered in the three audits include: a $20,000 grant to a museum that was reported as a scholarship; failure to issue a T4 slip for salary paid to an employee; donation receipts that could not be reconciled with the T3010 return and financial statements; and a brochure produced by the agent that mentioned specific Canadian donors for projects claimed as the charity's projects. The latter practice suggested that the individual donor or the agent, and not the charity, was in control of where and how funds were disbursed and how contributions were recognized.
- Following due process, the charity was formally notified that the CCRA intended to revoke its charitable status, and the organization consequently appealed to the Court.

The Charity's Defense

In its appeal, the charity argued that:

- *The Income Tax Act* violates a charity's right to a fair hearing as provided to all individuals under the *Canadian Bill of Rights*. The Act does not provide registered charities with a right to have an oral hearing with the CCRA before the CCRA decides to send a charity a notice of its intention to revoke registration. The Act's emphasis on written interaction between the CCRA and registered charities during the revocation process robs charities of the fundamental right to a fair hearing.
- The CCRA violated the charity's rights to procedural fairness and a fair hearing by not providing the charity with copies of the audit reports and working papers on which it had based its conclusions, and by not considering a written report the charity made available after the last audit was completed.
- The burden of proof for establishing the facts justifying revocation should be on the CCRA, not on the registered charity. If this is so, then the CCRA had failed to meet its obligations in this case.
- The agency agreement was a private matter between the charity and its agent; it had little to do with the CCRA. Therefore, the CCRA made an error in law when it based its revocation decision in part on that agreement.
- Through verbal interaction, its agent kept the charity fully informed and up-to-date on the agent's activities.
- The CCRA erred in law in concluding that the charity had stopped complying with the requirements of the Act.
- The CCRA erred in law in making the failure to issue a T4 or T4A receipt a ground for revocation, thereby taking an irrelevant issue into account.

The Court's Decision: Key Principles

The Court found that:

- The charity had not shown any disadvantages it suffered as a result of not having had an oral hearing. Further, the charity could not show how its submissions would have benefited from an oral hearing. Therefore, the charity's right to fair treatment under the *Bill of Rights* had not been violated.
- It was not necessary for the CCRA to share its audit reports and working papers with the charity, as long as the charity "was fully informed of the case to be met and was given a full opportunity to respond."
- The responsibility to prove the facts in a revocation case lies with the registered charity. This is because in cases involving tax, it is the taxpayer, such as a registered charity, who is in a better position to provide facts that would show that the regulator's assessment is incorrect. Therefore, it is the responsibility of the registered charity "to prove that its charitable status should not be revoked."
- There was no documentary evidence to support the statement by the charity that its agent kept it fully informed and up-to-date on its activities.
- Since a charitable organization "cannot merely be a conduit to funnel donations overseas," it is reasonable for the CCRA to require charities to use an appropriate method to show that they are actually directing and controlling how their funds are used. An agency agreement is one such method. Therefore, in making its decisions in this case, the CCRA had not made an error in law in taking the agency agreement into account.

- The CCRA had given the charity adequate notice of the need to keep proper books and records at its Canadian address, and to make them available at the time of the audit. Therefore, it was not unfair for the CCRA to refuse to consider the written report the charity submitted *after* the CCRA audit had been completed.

Key Lessons

- The paper-based administrative procedures used for revocation do not violate the fairness rights of registered charities, as long as registered charities are given an adequate opportunity to be informed of the case they have to meet, and are given sufficient opportunity to respond. It should be noted, however, that the Charities Directorate can, and does often, meet with charities to discuss matters during the revocation process. In fact, the Court acknowledged the Directorate's practice in this regard.
- A registered charity cannot act as a conduit for funds to be funnelled overseas. It needs to show that it has direction and control over its activities, including the use of its funds by an agent.
- A written agency agreement helps to document how a charity directs and controls what its agent does with the charity's funds. Its advantage is that it helps a charity establish and follow the actual steps it takes to achieve such direction and control. But, charities are free to propose other methods that will enable them to show how they direct and control their agent. However, once a charity has proposed a method, and the Directorate has accepted it, it is important for the charity to use that method to provide evidence of its direction and control over the use of its resources.
- In itself, a verbal arrangement between a charity and its agent that is stated during an audit is not sufficient proof that the charity had indeed achieved the required direction and control.
- When an audit is being conducted, it is advisable for a charity to make all relevant documents available for consideration. It is reasonable for the CCRA to base its revocation decisions on the material made available at the time of the audit.

Case: The Canadian Committee for the Tel Aviv Foundation v. Her Majesty the Queen, Federal Court of Appeal, docket A-357-00, unanimous judgment dated March 1, 2002.

About Auditing Charities

The court case described above gives an idea of the steps involved when we conduct a charity audit. However, to promote a fuller understanding, here is a brief description of our Audit Program.

The Law and the Audit Program

Canada enjoys a high standard of public compliance with the law. However, a self-assessment tax system can be maintained only by the vigilant and continuous inspection of returns. The Compliance and Intelligence Division of the Charities Directorate is responsible for selecting registered charities for audit, and for reviewing, monitoring and auditing them. It plays an important role in achieving the CCRA's objectives of encouraging voluntary compliance and maintaining public confidence in the integrity of the tax system.

The *Income Tax Act* requires that every registered charity and registered Canadian amateur athletic association keep records and books of its accounts at an address in Canada. The information in these records and books need to be kept in such form as to enable the CCRA to determine whether the charity is operating in compliance with the *Act*.

What Triggers an Audit?

There are many reasons why a charity may be selected for audit. Some charities are selected for audit at random, and others may be selected for the following reasons:

(a) to review specific legal obligations under the *Act*;

(b) to review or follow up on significant non-compliance;

(c) as a result of information gathered from other files, audits or outside sources, including tips;

(d) to confirm assets have been distributed after revocation; and

(e) to understand the purposes and activities of an organization that is applying for registered status.

What You Can Expect From Us

Our role at the CCRA is to ensure that all charities comply with the law. We do this by reviewing information provided to us by the charities in their annual return (Form T3010).

When we decide to conduct an audit, this is what happens and what you can normally expect:

- We will, at all times, treat directors and staff of the charity in a professional and courteous manner.
- The audit is usually conducted on the charity's premises and can last anywhere from a couple of hours to several weeks, depending on the nature of the audit, and the size and complexity of the charity's operations.
- Items that will be reviewed can include, but are not limited to, the charity's ledgers, journals, bank accounts, expense accounts, investments, agreements, contracts, annual reports, minutes or other records of board and staff meetings, and other documents related to the charity's activities.
- The audit will take place at a time that is mutually convenient during regular business hours.

- When an audit reveals a problem, we will ensure that the charity is notified and is given an opportunity to be heard.

What We Expect From You

In an effort to ensure the audit is conducted quickly, with as little disruption as possible, we expect that the charity will, within reason:

- make available all requested information;
- provide time to conduct the review without any unreasonable delays; and
- treat the CCRA representative in a professional and courteous manner at all times during the course of the audit.

Please note that at all times during the audit, charities have the right to consult with legal advisors, their external accountants, or any other advisors.

Audit Results

Under normal circumstances, once the Charities Directorate has reviewed the findings, it may issue one of the following letters to conclude the audit:

1) a Confirmation of Compliance Letter;
2) an Education Letter;
3) an Undertaking Letter;
4) an Administrative Fairness Letter.

The circumstances under which we generally issue each type of letter are described below.

Confirmation of Compliance Letters

In instances where we have reviewed the charity's operations and activities and find no areas of non-compliance, we will issue a letter confirming this.

Education Letters

An Education Letter is issued when the auditor uncovers minor areas of non-compliance and we wish to educate the charity on ways to correct the minor problem(s) identified.

Undertaking Letters

Letters of Undertaking are requested of charities in cases where serious non-compliance has been discovered, but the problems may not be sufficiently grave to warrant revocation. In such cases, we require the charity to provide us with a written undertaking, detailing its intentions and how it proposes to correct the situation.

Administrative Fairness Letter (AFL)

Normally, an AFL is issued in instances where we believe the areas of non-compliance are serious enough for the CCRA to consider revoking the charity's registered status. We consider this to be a proposal letter and we invite representations from the charity. We give the charity time to present its case before we decide if we will issue a *Notice of Intent to Revoke Registration*. We also reply to any representations the charity makes. We usually require a response from the charity within 30 days of the issuance of the AFL. However, reasonable requests for an extension are generally granted.

Also, as mentioned in the section, "What Triggers an Audit?", we occasionally audit an organization applying for registered status in order to understand its purposes and activities. When such an audit reveals that the organization may not qualify for registration, we usually issue an AFL to the organization. We ask the organization to respond within 60 days of the issuance of the letter, but reasonable requests for an extension are generally granted. We usually reply to any representations the organization makes, and decide after considering those representations and the facts we have.

Recourse

A Notice of Intent to Revoke Registration confirms our decision to proceed with revocation procedures. In this letter, the charity is advised that it may file a Notice of Appeal with the **Federal Court of Appeal** within 30 days of the mailing of the notice. By appealing, the charity has another opportunity to have its case heard as to why its charitable registration should not be revoked. Generally, when a charity files an appeal, we allow it to maintain its status as a registered charity until the Court passes judgment. If no appeal is filed, the name of the charity is published in the *Canada Gazette* and its registered charity status is revoked effective the date of publication.

Similarly, when we are planning to deny registration to an applicant based on our audit findings, we usually give the organization 60 days from the mailing date of the AFL to respond to our concerns. Again, reasonable requests for an extension are granted. If, after considering representations from the organization, we decide to deny their application, we inform the organization of their right to appeal our decision to the **Federal Court of Appeal**. The organization has 30 days from the date of mailing of our denial letter to launch their appeal.

We Have Extended Our Telephone Service Hours

In response to requests from clients, we have now extended the hours of operation of our toll-free telephone service by three hours a day.

Our toll-free phone service is now available weekdays (except statutory holidays) from 8:00 a.m. to 8:00 p.m. Eastern Time.

The table below shows when you can call from your time zone.

Time zone	Weekdays (except statutory holidays) from
Pacific	5:00 a.m. to 5:00 p.m.
Mountain	6:00 a.m. to 6:00 p.m.
Central	7:00 a.m. to 7:00 p.m.
Eastern	8:00 a.m. to 8:00 p.m.
Atlantic	9:00 a.m. to 9:00 p.m.
Newfoundland	9:30 a.m. to 9:30 p.m.

As the table shows, the extended hours will particularly benefit clients in the Pacific, Mountain, and Central time zones, who can now call the Charities Directorate in Ottawa during regular business hours. The general public, as well as volunteers and staff of organizations across Canada, will also benefit from the extra service hours during the evening.

The toll-free telephone numbers for the Charities Directorate are:

Client Assistance unit
1-800-267-2384 (English)
1-888-892-5667 (French and English)

Public Documents Request Line
1-877-202-5111 (French and English)

SECTION E: FINANCIAL INFORMATION

E1 Please attach a separate copy of the charity's financial statements. **4000** ☐ Attached

E2 May we make the attached financial statements available to the public? **4010** ☐ Yes ☐ No

E3 Was the financial information reported below prepared on an accrual or cash basis? **4020** ☐ Accrual ☐ Cash

E4 *Please show figures to the nearest* ***single dollar****. Do not show cents. See the guide for an explanation of terms.*

Assets

Cash, bank accounts, and short-term investments	4100	.00
Amounts receivable from **non**-arm's length parties	4110	.00
Amounts receivable from all others	4120	.00
Investments in **non**-arm's length parties	4130	.00
Long-term investments	4140	.00
Inventories	4150	.00
Capital assets	4160	.00
Other assets	4170	.00
Total assets (add lines 4100 to 4170)	4200	.00

Liabilities

Accounts payable and accrued liabilities	4300	.00
Deferred revenue	4310	.00
Amounts owing to **non**-arm's length parties	4320	.00
Other liabilities	4330	.00
Total liabilities (add lines 4300 to 4330)	4350	.00

Amount included in lines 4150, 4160, and 4170 not used in charitable programs. **4250** .00

E5 *Please show figures to the nearest* ***single dollar****. Do not show cents. See the guide for an explanation of terms.*

Revenue

Total tax-receipted gifts			4500	.00	
Total gifts received from other registered charities			4510	.00	
Total specified gifts included in line 4510	4520	.00			
Total other gifts			4530	.00	
Revenue from federal government	4540	.00			
Revenue from provincial/territorial governments	4550	.00			
Revenue from municipal/regional governments	4560	.00			
Total revenue from government (add lines 4540, 4550, and 4560)			4570	.00	
Interest and investment income			4580	.00	
Proceeds from disposition of assets	gross 4590	.00	net 4600	.00	
Rental income (land and buildings)			4610	.00	
Memberships, dues, and association fees (non tax-receipted)			4620	.00	
Total revenue from fundraising not reported above as gifts			4630	.00	
Total revenue from sale of goods and services (except to government)			4640	.00	
Other revenue			4650	.00	
Total revenue (add lines 4500, 4510, 4530, 4570, 4580, and 4600 to 4650)					4700 .00

Expenditures ***(Enter all expenditures, whether or not on charitable programs)***

Advertising and promotion	4800	.00
Travel and vehicle	4810	.00
Interest and bank charges	4820	.00
Licenses, memberships, dues	4830	.00
Office supplies and expenses	4840	.00
Occupancy costs	4850	.00
Professional and consulting fees	4860	.00
Education and training for staff and volunteers	4870	.00
Salaries, wages, benefits, and honoraria	4880	.00
Donated and purchased supplies and assets expensed for the fiscal period	4890	.00
Amortization of capitalized assets	4900	.00
Research grants, and scholarships as part of charitable programs	4910	.00
Other expenditures	4920	.00
Total expenditures before gifts to qualified donees (add lines 4800 to 4920)	4950	.00

Total charitable programs expenditures included in line 4950	5000	.00
Total management and administration expenditures included in line 4950	5010	.00
Total fundraising expenditures included in line 4950	5020	.00
Total political activity expenditures included in line 4950	5030	.00
Total other activity expenditures included in line 4950	5040	.00
Total gifts to qualified donees	5050	.00
Total expenditures (add lines 4950 and 5050)	5100	.00

Note: We will calculate your disbursement quota based on the information you provide in this return. If you want to do your own calculation, please see the disbursement quota worksheet in the guide.

Section E – Financial Information

E1 – Financial statements

In addition to completing this section, you MUST attach a copy of the registered charity's own financial statements to this return.

At a minimum, financial statements consist of both a statement of assets and liabilities and a statement of revenue and expenditures for the fiscal period. They should show the different sources of a registered charity's revenue and how it spent its money. In some cases, the registered charity may not have any assets or liabilities or may have been inactive during the fiscal period and not had any revenues or expenditures. If this is the case, you are **still** required to provide a statement. The statement must provide relevant figures for the registered charity, and must show as a minimum:

- assets = $0;
- liabilities = $0;
- revenues = $0; and
- expenditures = $0

This statement should be signed by an authorized representative of the registered charity.

Indicate that you have attached the registered charity's financial statements by checking the "Attached" box.

E2 – Financial statements available to the public

Sometimes members of the public ask us for copies of a registered charity's financial statements. Check "yes" if you want to give us permission to provide this information to the public.

E3 – Method of reporting

Indicate whether or not the financial information is reported on an accrual or cash basis.

The accrual basis records revenue in the fiscal period in which the registered charity **earned** it, even if the registered charity receives the revenue after the end of the fiscal period. Similarly, the registered charity records an expenditure in the fiscal period the charity **incurred** it, even if the registered charity pays this bill in the following period.

Financial information prepared on a cash basis records only revenue or expenditures the registered charity **actually received or paid** during the fiscal period.

E4 – Assets and liabilities

When completing this section, make sure that you round all figures to the nearest **single dollar**.

Assets

Report the value of the registered charity's assets on a cost basis (i.e., how much the registered charity paid to acquire the asset). If there is no cost to the registered charity because it did not buy the asset but instead received it as a gift, the value is the fair market value of the asset at the time the gift was made. The same amount would appear on an official donation receipt for the asset if the registered charity issued one. Please see the Glossary for an explanation of "fair market value."

Line 4100 – Cash, bank accounts, and short-term investments. Enter the total amount of cash that the registered charity had readily available at the end of the fiscal period. Include amounts on hand and in bank accounts. Include the value of all short-term investments with less than one year to maturity, such as guaranteed term investment certificates, Treasury bills, bonds, notes, and all other current investments. Do **not** include investments in non-arm's length parties on this line.

Line 4110 – Amounts receivable from non-arm's length parties. Enter amounts owed to the registered charity by its founders, directors/trustees, employees, members, or by any person or organization not at arm's length to these individuals. This includes loans, mortgages, or advances, including interest receivable on these amounts. It also includes amounts receivable for goods and services purchased or rented by related parties. Please see the Glossary for a definition of "arm's length."

For more information, see Interpretation Bulletin IT-419R, *Meaning of Arm's Length*, and Interpretation Bulletin IT-64R4, *Corporations: Association and Control* – After 1988.

Line 4120 – Amounts receivable from all others. Include amounts receivable from individuals or other organizations. Amounts receivable include accounts receivable such as funds owing from provision or goods or services, and the current portion of long-term investments such as loans and mortgages. Do not include amounts receivable from non-arm's length individuals or organizations on this line.

Line 4130 – Investments in non-arm's length parties. Enter the total long- and short-term amounts that the registered charity has invested with founders, directors/trustees, non-arm's length employees or members, or any person or organization not at arm's length to these individuals. Please see the Glossary for a definition of "arm's length." These amounts would include limited partnership investments, shares, and investments in Canadian or foreign-related corporations.

Line 4140 – Long-term investments. Include the value of all investments that have a maturity date longer than one year, such as the cash-surrender value of life insurance policies, stocks, bonds, notes, shares, debt, loans, mortgages, and all other long-term investments. Do not include amounts receivable from non-arm's length individuals or organizations on this line. Restricted funds should be reported on line 4170.

Line 4150 – Inventories. Inventory covers the value of supplies and goods on hand at the end of the fiscal period and available for use in the registered charity's programs or held for sale (e.g., articles that workers in a sheltered workshop manufacture, publications found in a religious bookstore, and medications in a hospital dispensary). Include the fair market value of any donated items held as inventory.

Line 4160 – Capital assets. Assets can include land, buildings, equipment, vehicles, computers, furniture, and fixtures. Depending on the method chosen, accrual or cash basis, a registered charity will report its capital assets at their book value (accrual basis) or the cost to the registered charity (cash basis). Book value is the total cost of the asset to the registered charity less accumulated amortization (depreciation). Amortization is based on the useful life of the asset and is the annual expense that represents the portion of the asset used in the period. If the registered charity uses the cash basis, the assets should be shown at their cost to the registered charity. If the asset was donated, the value of the asset is the fair market value at the time the gift was made.

Line 4170 – Other assets. Report the value of any assets belonging to the registered charity that do not fall under any of the previous categories. Include works of art and other valuables not considered inventory. Prepaid expenses should also be included on this line (accrual basis only). Registered charities with restricted funds including endowments should include them on this line. Please see the Glossary for an explanation of "restricted funds."

Line 4200 – Total assets. Add the amounts on lines 4100 through 4170 and enter the total assets on line 4200.

Line 4250 – Enter the amounts, if any, included on lines 4150, 4160, and 4170 that the registered charity did **not** use in its charitable programs.

Liabilities

Line 4300 – Accounts payable and accrued liabilities. Enter the amounts owing including salaries owing, the current (short-term) portion of long-term debt obligations such as loans, mortgages, notes, and payments due for goods and services received. Also include any contributions, gifts, or grants payable for charitable programs. Do **not** include any amounts payable to related parties.

Line 4310 – Deferred revenue. Enter the total of any payments received prior to the registered charity's providing the goods or services (accrual basis only).

Line 4320 – Amounts owing to non-arm's length parties. Enter the total of amounts owing to founders, directors/trustees, non-arm's length employees or members, or to any person or organization not at arm's length to these individuals. These amounts include advances, loans, notes, or mortgages, any amounts owing for goods and/or services received, and any rent due for the use of property and salaries payable. Please see the Glossary for an explanation of "arm's length."

Line 4330 – Other liabilities. Enter the total amount for all other liabilities not included above, such as an unused portion of a government grant that the registered charity must return, and long-term debt obligations such as loans, mortgages, and notes.

Line 4350 – Total liabilities. Add the amounts on lines 4300 through 4330 and enter the total liabilities on this line.

Note: Line 4200 does not have to balance with line 4350. A registered charity's accounting system will normally have a balancing account such as "Net Assets" or "Surplus" for which we do not require information.

E5 – Revenue and expenditures

When completing this section, make sure that you round all figures to the nearest **single dollar**.

Government rebates such as the goods and service tax (GST), harmonized sales tax (HST), and provincial sales tax (PST) should not be included in income to the extent that the related tax has not been included as an expense.

Note: Pledges are not considered revenue until the fiscal period in which they are honoured.

Revenue

Note: Except for line 4600, enter any revenue the registered charity received in gross amounts. Do **not** deduct any expenditures involved in earning the revenue.

Line 4500 – Total tax-receipted gifts. Enter the total of all gifts for which tax receipts were issued by the registered charity. Do not include gifts received from other registered charities. Please see the Glossary for an explanation of a "gift." Do not include any amounts reported on line 5520.

Line 4510 – Total gifts received from other registered charities. Enter the total of all gifts received from other registered charities. Do not include grants from other registered charities that are given for specific purposes. These grants are reported on line 4650.

Line 4520 – Total specified gifts. Enter the total of specified gifts included on line 4510. Please see the Glossary for an explanation of a "specified gift."

Line 4530 – Total other gifts. Enter the total of all gifts for which an official donation receipt was **not** issued. Also include gifts for which the registered charity did not issue tax receipts because it could not identify the donor, such as anonymous gifts, donations to collection boxes, or loose collections. Do not include any revenue from governments on this line.

Line 4540 – Revenue from federal government. Enter the total revenue received or earned from the federal government. This amount should include all revenue received or earned from federal government grants, contributions, and contracts for goods and services provided directly to the federal government or on behalf of the federal government.

Line 4550 – Revenue from provincial/territorial governments. Enter the total revenue received or earned from provincial/territorial governments. This amount should include all revenue received or earned from provincial or territorial government

grants, contributions, and contracts for goods and services provided directly to these governments or on behalf of them.

Line 4560 – Revenue from muncipal/regional governments. Enter the total revenue received or earned from municipal/regional governments. This amount should include all revenue received or earned from municipal or regional government grants, contributions, and contracts for goods and services provided directly to these governments or on behalf of them.

Line 4570 – Total revenue from government. Enter the total of all revenue received or earned from all government sources. This amount is the total of lines 4540, 4550, and 4560.

Line 4580 – Interest and investment income. Enter the total interest and other investment income that the registered charity received or earned during the fiscal period (e.g., interest from bank accounts, mortgages, bonds, and loans). Include all investment income, whether or not the registered charity received an information slip for the amount, and whether or not the registered charity received the income from a non-arm's length individual or organization.

Report all foreign investment income in Canadian dollars. Convert the amount at the exchange rate in effect when the registered charity received the income or the rate of exchange in effect at the end of the fiscal period (accrual basis only). Please call your local tax services office or your local financial institution for the applicable exchange rate.

Line 4590 – Proceeds from disposition of assets (gross amount). Enter the gross amount received on the disposition of assets. Please see the Glossary for explanations of gross and net "proceeds from disposition of assets."

Line 4600 – Proceeds from disposition of assets (net amount). Enter the net gain or loss from disposition of assets.

Line 4610 – Rental income (land and buildings). Enter the gross income received or earned by the registered charity from renting its land and buildings. Add all such rents, including those derived from property that the registered charity used in carrying on its charitable programs. For example, include:

- rents from a seniors' home operated by the registered charity; or
- any rent derived from leasing out surplus space, such as a church parking lot during the week or a university residence during the summer.

When the registered charity earns rental income on property it does not use for charitable programs, the registered charity should provide details on this property in an explanatory note or appendix to its financial statements.

Report any income the registered charity earned from leasing out equipment or other resources on line 4650, "Other revenue."

Line 4620 – Memberships, dues, and association fees. Enter the total revenue received from memberships, dues, and fees for which the registered charity did **not** issue tax receipts.

Line 4630 – Total revenue from fundraising activities. Enter the total amount of revenue from fundraising activities. This does not include any revenue for which tax receipts were issued. These amounts should be reported as gifts on line 4500. Include the gross amounts that the registered charity received or earned from activities carried on by the registered charity itself as well as amounts received or earned by contracted fundraisers on behalf of the registered charity.

Line 4640 – Total revenue from sale of goods and services (except to government). Enter the gross revenue received or earned from the sale of all goods and services provided to individuals or organizations. This includes revenue received or earned from the provision of goods and services as

part of the registered charity's programs. Revenue from governments for goods and services provided to them should be reported on lines 4540, 4550, or 4560.

Line 4650 – Other revenue. Enter the total of all other revenue received or earned by the registered charity not already included in the amounts above. Grants that are not gifts and not from government should be included on this line. Also include revenue received or earned from the rental or leasing of any equipment or other resources on this line.

Line 4700 – Total revenue. Add lines 4500, 4510, 4530, 4570, 4580, and 4600 through 4650 and enter the total revenue on line 4700.

Expenditures

The categories on the return may not correspond to those used by the registered charity when it draws up its accounts for other purposes. However, we need to know how much the registered charity spent on these categories to determine whether it continues to meet all of its requirements under the *Income Tax Act*.

The registered charity must keep track of its expenses during the fiscal period in such a way that it is able to enter figures that are reasonably accurate. The registered charity cannot randomly allocate its expenses at the end of the fiscal period. It must be able to justify its figures.

Note: When reporting expenditures, state the amount paid (cash method of accounting) or the amount of the expenditure incurred (accrual method of accounting).

The account categories on lines 4800 to 4920 represent common types of account expense categories used in accounting systems to record various types of expenditures. The total of these expenditures on line 4950 should represent all expenditures recorded by the registered charity with the exception of gifts to qualified donees.

Line 4800 – Advertising and promotion. Enter the total amount paid or incurred for advertising and promotion. Include all amounts spent to draw attention to the registered charity and its programs, for all purposes including fundraising. Specific examples include meals and entertainment, seminars, presentation booths, publications, and postage related specifically to fundraising.

Line 4810 – Travel and vehicle. Enter the total amount paid or incurred for travel and vehicle expenses. Include travel and accommodation costs, vehicle costs such as gas, repairs, maintenance, and lease payments.

Line 4820 – Interest and bank charges. Enter the total amount paid or incurred in interest and bank charges.

Line 4830 – Licences, memberships, dues. Enter the total amount paid or incurred for licences, memberships, and dues.

Line 4840 – Office supplies and expenses. Enter the total amount paid or incurred for office supplies and expenses. This includes, for example, minor equipment purchases, meeting expenses not including accommodation, postage, and the cost of preparing and distributing annual reports.

Line 4850 – Occupancy costs. Enter the total amount paid or incurred for occupancy costs. This includes rent, mortgage payments, maintenance and repairs, utilities, taxes, and all other costs related to maintaining premises actually used by the registered charity. Expenditures related to investment property should be reported on line 4920.

Line 4860 – Professional and consulting fees. Enter the total amount paid or incurred for professional and consulting services (e.g., legal, accounting, fundraising).

Line 4870 – Education and training for staff and volunteers. Enter the total amount paid or incurred for education and training for staff and volunteers. This includes the cost of courses, seminars, conferences, etc.

Line 4880 – Salaries, wages, benefits, and honoraria. Enter the total amount paid or incurred for all compensation. Please see the Glossary for an explanation of "compensation."

Line 4890 – Donated and purchased supplies and assets expensed for the fiscal period. Include all supplies and assets **purchased** in the fiscal period. Do not include assets that have been capitalized.

Regardless of which accounting method a registered charity uses, a **donated** asset will affect the disbursement quota if a tax receipt has been issued for the asset. If the donated asset is being used for charitable programs, the fair market value (receipted value) of that asset should be reported as an expenditure on this line and also on line 5000. This treatment of donated assets may not be necessary for a registered charity that has significant disbursement quota excesses available for carry-forward.

Line 4900 – Amortization of capitalized assets. Enter the total amortization expense for the fiscal period for capitalized assets. Amortization is often referred to as depreciation. A registered charity that is amortizing assets used in charitable programs should also report this amount on line 5000. If the asset was donated and included on line 4890 at full value, do not include annual amortization on line 4900. Amortization on donated assets reported on line 4890 should not be included because the full value of the donated asset has already been included.

Line 4910 – Research grants and scholarships as part of charitable programs. Enter the total amount paid for research grants and scholarships that were part of the registered charity's programs.

Line 4920 – Other expenditures. Enter the total expenditures **not** included on the lines above. This line could include grants that must be returned (accrual basis) and expenditures made to earn rental income if these can be segregated by the registered charity. Ideally, this line would not be used extensively, as most expenditures should fit within the above categories.

Line 4950 – Total expenditures before gifts to qualified donees. Add the amounts on lines 4800 through 4920 and enter the total expenditures on line 4950.

This section represents a breakdown of the expenditures noted above on lines 4800 to 4920. The totals of lines 5000 to 5030 plus line 5400 in Section F should equal line 4950.

Line 5000 – Total charitable programs expenditures. Enter the portion of the amount in line 4950 that represents expenditures for charitable programs. This includes all expenditures that are essential to providing the charitable programs carried out by the registered charity. Do **not** include any current period expenditures from amounts that were accumulated in previous years and used to reduce the registered charity's disbursement quota. These amounts should be reported on line 5040.

Line 5010 – Total management and administration expenditures. Enter the portion of the amount on line 4950 that represents management and administrative expenditures. This includes all expenditures related to the overall management and administration of the registered charity.

Some expenditures will be attributable to both charitable programs and management and administration expenses, such as salaries and occupancy costs. In these cases, it will be necessary to allocate the amounts accordingly. The allocation should be made on a **consistent** and **reasonable** basis.

Line 5020 – Total fundraising expenditures. Enter the portion of the amount on line 4950 that represents fundraising expenditures. Enter the total expenses the registered charity paid out for fundraising initiatives whether they were carried out by the registered charity itself or by contracted fundraisers. Examples of such expenditures are:

- expenditures for conducting fundraising activities, including salaries and overhead costs, promotional materials, campaign supplies, electronic data processing, and year-round office expenses directly related to fundraising;

- expenditures for promoting the registered charity and its activities to the community primarily for fundraising purposes;
- fees that the registered charity paid to outside fundraising consultants or agencies (or amounts retained by them); and
- postage costs for direct mail canvassing.

Line 5030 – Total political activity expenditures. Enter the portion of line 4950 that represents expenditures for political activities.

Line 5040 – Total other activity expenditures. Enter the portion of line 4950 that represents expenditures for other activities. Examples of such expenditures are:

- the premiums that the registered charity paid to maintain life insurance policies that donors have given to the registered charity;
- the costs of rental property that the registered charity does not use to operate its charitable programs, administration, or fundraising;
- the costs of producing and selling goods and services that the registered charity does not use, produce, or sell in the context of its charitable work; and
- amounts spent in the fiscal period that the registered charity has previously accumulated with the CCRA's permission.

Line 5050 – Total gifts to qualified donees. Enter the total expenditures for all gifts to qualified donees. Do not include any specified gifts made to qualified donees. Please see the Glossary for an explanation of "qualified donee" and "specified gift."

Line 5100 – Total expenditures. Add the amounts on lines 4950 and 5050 and enter the total expenditures on line 5100.